ECONOMIC COMMENTARY

Lower Crude Oil Prices are Starting to Impact Alberta's Merchandise Exports

June 1, 2015

Highlights:

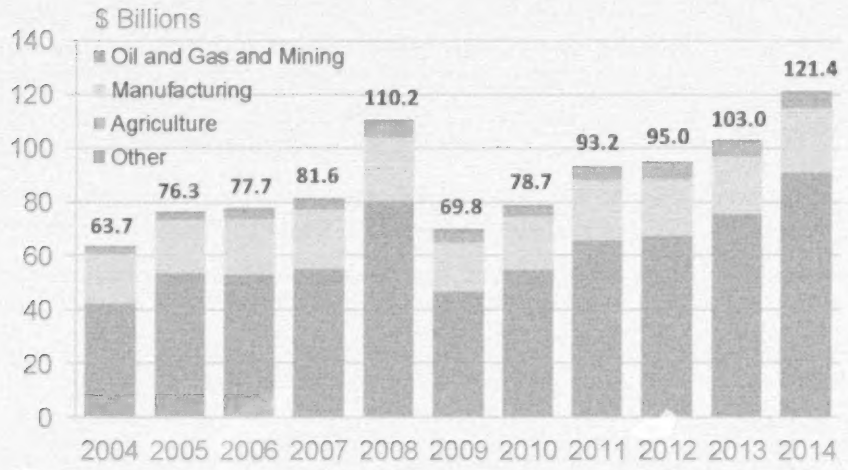
In 2014, the value of Alberta's merchandise exports was a record $121.4 billion, up 17.9% from 2013, mainly as a result of strong growth for oil and gas. The recent drop in oil prices has led to a sharp decline in total exports in the first quarter and does not bode well for Alberta's export performance in 2015.

Alberta
Government

In 2014, the value of Alberta's merchandise exports was a record $121.4 billion. Although the value of Alberta's goods exports fell sharply by 37% during the global recession in 2009, export values have now recovered all of their losses and exceeded the 2008 value by about 10% (see below chart). Between 2004 and 2014, Alberta exports rose 91%, while exports from the rest of Canada (i.e. Canada excluding Alberta) increased by a mere 15%. Alberta accounted for 25% of Canadian exports in 2014, up from 17% in 2004.

Most of the growth over the 10-year period was the result of a 115% jump in oil and gas exports, as both prices and volumes of crude oil grew strongly over that period. Manufacturing exports grew by 32% between 2004 and 2014, and the agricultural sector led all sectors with growth of 177%.

Alberta's Goods Exports between 2004 and 2014

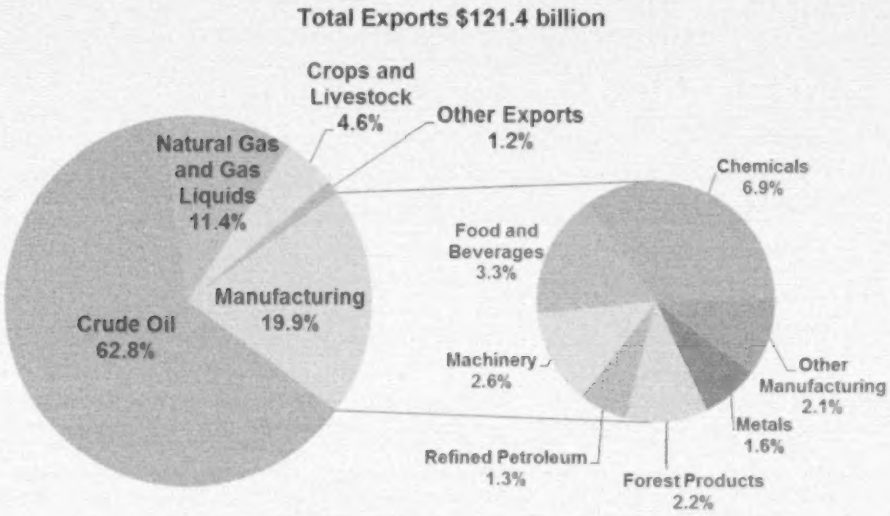


Sources: Statistics Canada and Alberta Innovation and Advanced Education

In 2014, exports grew by 17.9% from 2013 as a result of strong growth in its four main commodity/industry groups:

- Crude oil exports rose 18.2% in 2014 and now account for 62.8% of total Alberta exports;
- Gas and gas liquids exports were up 39.5% and their share was 11.4%;
- Manufactured goods' exports rose 11.2% and their share was 19.9%;
  - Chemicals alone accounted for 6.9% of total exports and rose 10.8%;
  - Food and beverages' share was 3.3% and export rose 15.9%;
  - Machinery's share was 2.6% and exports were up 8.4%;
- Exports of crops and livestock increased by 8.4% and their share was 4.6%.

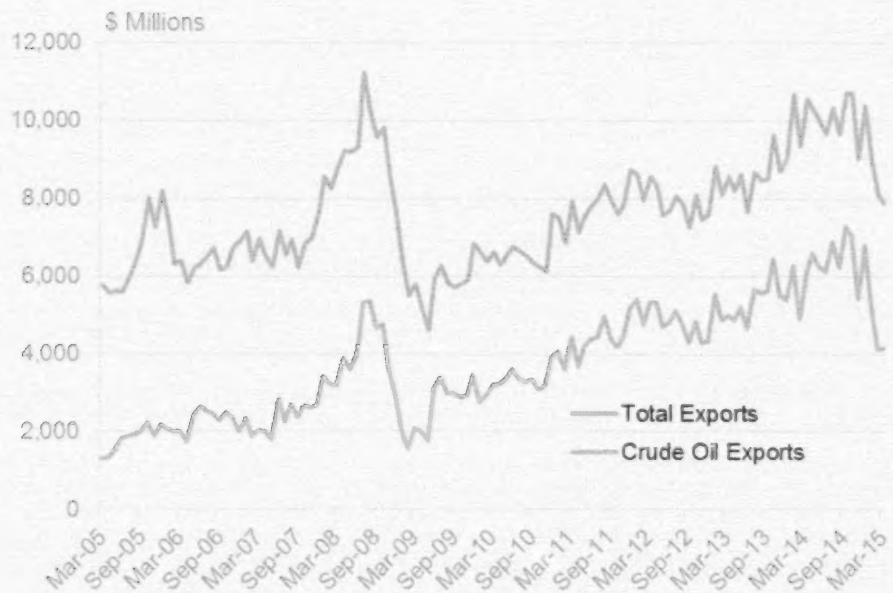
Export Shares for Alberta's Industries 2014



Sources: Statistics Canada and Alberta Innovation and Advanced Education

Alberta exports held up better than expected in the second half of 2014 as lower oil prices were offset by rising oil volumes. However, exports were 18.5% lower in the first quarter of 2015 compared to the same period in 2014 as oil prices declined sharply.

Alberta Exports are starting to fall because of lower Oil Prices



Sources: Statistics Canada and Alberta Innovation and Advanced Education

It is likely that Alberta exports will continue to decline throughout most of 2015 as oil prices are forecast to remain weak this year. Lower prices will likely also have an impact on refinery products, such as gasoline and diesel fuel, and on chemicals, while exports of oil and gas field machinery and equipment may decline because of lower levels of drilling activity, especially in the U.S.